Revenue Forecasting Methodology
(From Current '02 Transmission Rates)

- IR and PTP long and short-term sales are forecast from a statistical model based on three and one-half years of history—January 1999 through June 2002.

- NT and utility delivery sales come from longer trend lines developed for each point of delivery.

- Long-term Network contracts which are expiring are divided into two groups for forecasting the growth in Long-term PTP:
    - Expiring contracts for load are replaced assuming a 1.3%/yr growth rate
    - Expiring contracts for other than load (bulk power business) are replaced 75 percent of the time

- Long-term Intertie contracts are maintained at their FY 2002 level.

- Short-term sales are estimated as the forecast of total sales minus long-term sales.

- Intertie and Network short-term sales are reduced based on the current schedule for DC intertie capacity during the modernization program. Short-term Network and Intertie revenues estimates are lowered by $1.1M in FY 2003, $14.1M in FY 2004, and $2.5M in FY 2005 due to the reduction in DC intertie capacity.

- Revenue credits fall from FY 2002 to FY2003 and beyond because of reductions in reservation fees, utility and industry UFT revenues, and the termination of the utility delivery under-recovery subsidy in FY 2003.

- Fiber revenues decline in FY 2005 reflecting a weak market for fiber.

- Regulation and Frequency response revenues are assumed to grow at ¾% per year.

- Operating reserves demand charge revenues are assumed to be flat corresponding to no new generation in the BPA load control area.